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TO RUEHC/SECSTATE WASHDC PRIORITY 3104

INFO RUCNIRA/IRAN COLLECTIVE PRIORITY

RUEHSS/OECD POSTS COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 3373

RUEHBJ/AMEMBASSY BEIJING PRIORITY 1403

RUEHBR/AMEMBASSY BRASILIA PRIORITY 0005

RUEHBS/AMEMBASSY BRUSSELS PRIORITY 1818

RUEHCV/AMEMBASSY CARACAS PRIORITY 0008

RUEHHI/AMEMBASSY HANOI PRIORITY 0006

RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0151

RUEHMO/AMEMBASSY MOSCOW PRIORITY 4625

RUEHTC/AMEMBASSY THE HAGUE PRIORITY 1444

RUEHVB/AMEMBASSY ZAGREB PRIORITY 0807

RUEHMIL/AMCONSUL MILAN PRIORITY 0400

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RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

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RUEAHLC/DEPT OF HOMELAND SECURITY WASHINGTON DC PRIORITY

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C O N F I D E N T I A L SECTION 01 OF 02 ROME 000035

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E.O. 12958: DECL: 01/12/2020

TAGS: [ECON](#) [ENRG](#) [EPET](#) [ETTC](#) [IR](#) [IT](#) [PREL](#)

SUBJECT: GETTING ENI TO HALT ITS EXPANSION IN IRAN

REF: A. A) 09 ROME 1342

[B. B\)](#) ROME 00001

[C. C\)](#) 09 SECSTATE 121808

ROME 00000035 001.2 OF 002

Classified By: Classified By: CDA Elizabeth Dibble
for reasons 1.4 (b) and (d)

[11. \(C/NF\) SUMMARY:](#) While Eni claims to cooperate with us on Iran, the Italian energy parastatal company continues to expand its operations in there. One-third owned by the Italian government, Eni is the largest foreign energy company in Iran. With significant assets in the United States, Eni is very concerned about the potential impact of U.S. sanctions, and is lobbying hard in Washington to avoid being sanctioned. The Ambassador recently raised this issue with Under Secretary Gianni Letta (Prime Minister Berlusconi's right hand man), noting that it was in Italy's interest for Eni to halt its expansion in Iran. The visit of Eni CEO Paolo Scaroni to Washington in January 15 provides an excellent opportunity for the USG to reinforce the message that Eni needs to cease all new activities in Iran, or face the possibility of sanctions. End Summary.

ENI WORRIED ABOUT SANCTIONS; CEO HEADING TO WASHINGTON

[12. \(C/NF\)](#) Eni's management knows that the firm's activities -- including drilling new wells in Iran -- make it a possible target for U.S. sanctions. With significant assets in the United States, the company is concerned, and is lobbying hard in Washington and elsewhere to avoid sanctions. During a

mid-December meeting with the Ambassador, Eni CEO Paolo Scaroni said he planned to go Washington to meet with State Department and Department of Treasury senior officials to explain Eni's Iran activities. Scaroni also asked for advice on dealing with key members of the Congress. We understand Scaroni is scheduled to meet on January 15 with Treasury U/S Stuart Levey and that meetings with senior State Department officials, including U/S for Economic, Energy and Agricultural Affairs Robert Hormats, are being sought.

ENI's LINE: NEW IS NOT NEW

¶3. (C/NF) During his Washington meetings Scaroni will likely continue to portray Eni as cooperating with USG and international efforts on Iran. Based on what we've heard from Eni officials, we anticipate Scaroni will make the following points: Eni long-ago decided not to undertake any "new" activities in Iran, including not signing of any new deals or new contracts by Eni subsidiaries (Saipem and Polimeri Europa). Eni's interest in continuing operating in Iran is only to fulfill outstanding contracts and to recover the investments it has made already. Eni has been "transparent" with the USG about its Iran operations.

¶4. (C/NF) The centerpiece of Eni's somewhat disingenuous position is its claim that any activity carried out under "old" contracts by definition does not constitute "new" activity. According to this interpretation of what constitutes "new" versus "old," Eni believes it is free to continue to drill new wells and develop Iranian energy infrastructure in existing fields of operation while still claiming that it is not doing anything "new" in Iran. During

ROME 00000035 002.2 OF 002

a mid-November meeting with EcMin Post pressed Eni representatives for further details about activities falling under "old" contracts, and the Eni officials clarified that Eni plans to continue to expand production of the Darquain field (ref A). Pressed further, Eni officials admitted that such expansion activity will lead to a significant increase in oil production from this field (Note: Eni's 2008 Fact Book states that its objective is to increase Darquain production from its current 100,000 barrels of oil per day to 160,000 barrels per day). Eni officials further added that Eni will continue to negotiate with Iran for the possibility of additional expansion of Darquain production in order to recover \$1.4 billion that Eni claims as extra costs. Embassy officers have pointed out to Eni the contradiction of claiming not to undertake new activities while planning new activities to expand Iran's oil production. Eni officials fall back, however, on their insistence that planned expansion of the Darquain field falls within Eni's existing "old" contracts, and thus the company does not consider these "new" activities.

COMMENT: WHAT SCARONI NEEDS TO HEAR

¶5. (C/NF) It is critical at this point that CEO Scaroni hear in no uncertain terms that the USG does not accept his company's "new is not new" claims. Scaroni should be told that Eni's continued expansion of its activities in Iran sets it apart from the other major European energy companies, and for that reason has become one of the Congress' biggest targets for sanctions. Washington should press Scaroni to halt any further expansion in Iran. Washington could also note that Eni's position as the largest foreign operator in Iran make its cooperation especially important. Its one-third ownership by the Italian government makes the company's current lack of cooperation especially unseemly. On December 30, 2009 PM Berlusconi's principal advisor, U/S Gianni Letta, told Ambassador Thorne that he would personally contact Scaroni and try to get Eni to halt its activities in Iran (ref B). The DCM reinforced this message January 12 with the MFA's Secretary General Massolo, noting that Eni's continuing

activities in Iran (and its much more narrow interpretation of what constitutes "new" activity) could have an adverse impact on Italian credibility when it comes to Iran. Massolo, who is also scheduled to travel to Washington this week and will see Scaroni there, said he would convey this to Eni.

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